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United Stores Corporation

Report to Stockholders *Year Ending December 31, 1945*

REPORTS OF HOLDINGS IN McCrory Stores
Corporation and McLellan Stores Com-
pany are herewith included.

OFFICERS

RANDOLPH CATLIN, *President*

WALTER B. RYAN, JR., *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

ROBERT W. JAMESON

WILLIAM L. LESS

THOMAS H. McINNERNEY

H. HOBART PORTER

WALTER B. RYAN, JR.

LEONARD SPANGENBERG

EUGENE W. STETSON

GENERAL COUNSEL

SULLIVAN & CROMWELL NEW YORK, N. Y.

AUDITORS

PRICE, WATERHOUSE & CO. NEW YORK, N. Y.

UNITED STORES CORPORATION

31 NASSAU STREET
NEW YORK 5, N. Y.

To the Stockholders of

APRIL 10, 1946.

UNITED STORES CORPORATION:

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1945, with report of Messrs. Price, Waterhouse & Co. thereon:

Balance Sheet

Statement of Income and Expense

Statement of Surplus

For the information of the stockholders there are enclosed herewith copies of the Annual Report of McLellan Stores Company for the year ending January 31, 1946, and the Annual Report of McCrory Stores Corporation for the year ending December 31, 1945.

The Amendment of the Certificate of Incorporation set forth in the notice of Special Meeting of Stockholders and accompanying proxy statement, dated February 4, 1946, was approved and adopted by affirmative vote of the holders of over 60% of the shares of stock of each class at the Special Meeting held March 8, 1946 and is now in effect. Pursuant to this Amendment, the name of the Class A Stock was changed to \$4.20 Non-Cumulative Second Preferred Stock, each share of Preferred Stock was changed and reclassified into one share of Preferred Stock and one share of \$4.20 Non-Cumulative Second Preferred Stock, each share of Common Stock was changed and reclassified into one share of Common Stock and one/twenty-fifth share of \$4.20 Non-Cumulative Second Preferred Stock and the restriction on dividends on stock junior to the Preferred Stock set forth in said notice and proxy statement was eliminated. The number of shares outstanding of \$4.20 Non-Cumulative Second Preferred Stock (formerly designated Class A Stock) was thereby increased to 1,031,835.

The liquidating value per share, based on market quotations, of the \$4.20 Non-Cumulative Second Preferred Stock (formerly Class A) on the basis of the present number of shares outstanding was on:

March 31, 1945

December 31, 1945

March 31, 1946

\$2.57

\$9.69

\$16.30

By order of the Board of Directors.

RANDOLPH CATLIN,
President.

The annual meeting of stockholders of United Stores Corporation will be held on May 8, 1945. Proxies for such meeting will be requested by the management, and a Proxy Statement will be sent to the stockholders, on or about April 12, 1946.

UNITED STORES CORPORATION
BALANCE SHEET—DECEMBER 31, 1945

ASSETS

CASH IN BANK AND ON HAND		\$ 140,592.86
OFFICE FURNITURE AND FIXTURES, at nominal amount		1.00
RECEIVABLE FOR SECURITIES SOLD		23,373.90
INVESTMENTS, at cost (Note 1):—		
McCrory Stores Corporation:		
396,138 shares common stock, par \$1 (38.25% of total outstanding)	\$5,009,035.37	
244,061 rights to purchase new preferred stock (Note 2) ...	21,272.37	
McLellan Stores Company:		
7,500 shares 5% cumulative convertible preferred stock, par \$100 (25% of total outstanding)	4,439,200.24	
380,100 shares common stock, par \$1 (51.84% of total outstanding)		9,469,507.98
		<u>\$9,633,475.74</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	\$ 5,917.87	
Unclaimed dividends	2,473.10	
Reserve for taxes	42,213.42	\$ 50,604.39
CAPITAL STOCK AND CAPITAL SURPLUS:—		
Capital stock:		
\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share, plus accrued dividends on dissolution—(Note 3)—		
Authorized—101,800 shares		
Outstanding—95,695 shares stated at \$25 per share....	\$2,392,375.00	
Note—Preferred dividends are in arrears \$6.00 per share at December 31, 1945 or a total of \$574,170.		
Class A stock of \$5 par value, convertible, preferred over common as to \$4.20 per annum (cumulative to the extent earned in any fiscal year) and as to \$75 per share on dissolution—(Note 3)—		
Authorized—916,000 shares		
Outstanding—915,979 shares	4,579,895.00	
Common stock of 50¢ par value—		
Authorized—1,522,200 shares including 1,011,674 shares reserved for conversion of preferred and Class A stocks		
Outstanding, less 371 shares in treasury—504,025 shares..	252,012.50	
Capital surplus, per statement attached	1,999,342.30	9,223,624.80
EARNED SURPLUS SINCE JANUARY 1, 1937 (Note 1)		359,246.55
		<u>\$9,633,475.74</u>

UNITED STORES CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1945

1—Amounts based on quoted market prices at December 31, 1945:

McCrory Stores Corporation:

Common stock	\$11,438,484.75
Rights (Note 2)	29,668.35

McLellan Stores Company:

5% preferred stock	873,750.00
Common stock	9,122,400.00
	<u>\$21,464,303.10</u>

2—On December 27, 1945 the Corporation received 360,061 rights to purchase new $3\frac{1}{2}\%$ cumulative convertible preferred stock of McCrory Stores Corporation, each right entitling the holder to purchase $\frac{3}{50}$ of a share at \$104 per share. A portion of the cost of McCrory Stores Corporation common stock has been allocated as cost of the rights. On December 31, 1945 116,000 rights were sold at a profit of \$13,263.33; the remaining 244,061 rights were sold early in January 1946 for \$29,668.35 at a profit of \$8,395.98.

3—In the opinion of counsel neither the provisions of the Corporation's Certificate of Incorporation nor the statutes of Delaware create restrictions upon surplus growing out of the fact that upon involuntary liquidation the preferences of the preferred and Class A stocks exceed their respective stated or par values.

The aggregate amount to which the outstanding preferred stock is entitled in liquidation is \$11,579,095 and the aggregate amount to which the outstanding Class A stock is entitled in liquidation is \$68,698,425. The aggregate amount to which the outstanding preferred stock and Class A stock are entitled in liquidation exceeds the aggregate amount of capital represented by such stocks by \$73,305,250 (which excess is greater than the sum of the aggregate amount of capital represented by the common stock and the amount of the surplus of the Corporation).

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDING DECEMBER 31, 1945

Income :

Dividends received	\$699,708.00
Profit on sale of McCrory Stores Corporation rights (Note 2)	13,263.33
	<u>\$712,971.33</u>

Expenses :

Stock transfer expense	\$15,321.09
Franchise and capital stock taxes	2,875.96
Administrative, general and legal expenses	<u>32,991.81</u>
	51,188.86
	<u>\$661,782.47</u>

Provision for federal income tax	40,000.00
Net income for year ending December 31, 1945, carried to statement of surplus.	<u><u>\$621,782.47</u></u>

UNITED STORES CORPORATION

STATEMENT OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1945

Capital surplus:

Balance at December 31, 1944	\$1,999,423.90
Excess of cost over par value of 17½ shares of common stock	81.60
Capital surplus at December 31, 1945, per balance sheet	<u>\$1,999,342.30</u>

Earned surplus since January 1, 1937:

Balance at December 31, 1944	\$ 311,634.08
Net income for the year ending December 31, 1945, per statement attached.....	621,782.47
	<u>\$ 933,416.55</u>
Deduct—Dividends of \$6.00 per share paid in cash on \$6 cumulative convertible preferred stock	574,170.00
Earned surplus at December 31, 1945, per balance sheet	<u>\$ 359,246.55</u>

To the Board of Directors of

UNITED STORES CORPORATION:

We have examined the balance sheet of United Stores Corporation as at December 31, 1945, and the statements of income and expense and surplus for the year ending on that date. In connection therewith, we have examined accounting records of the Corporation and other supporting evidence, have obtained confirmation of the cash in bank, have counted the cash on hand, and have counted the securities. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and expense and surplus present fairly the position of United Stores Corporation at December 31, 1945, and the results of its operations for the year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

56 Pine Street,
New York, N. Y.
February 4, 1946.

